

## **SAP Business Forum for Government Lessons Learned**

### **A. Introduction (background)**

Members of the AEIOO team attended the SAP Business Forum for Government on Wednesday November 16, 2005. First Secretary of Homeland Security Mr. Tom Ridge and a number of Government and industry leaders were among the keynote speakers. The purpose of the forum was to discuss and highlight the success stories. These include SAP partnering with Government agencies and pin-pointing SAP implementation success factors in maximizing IT effectiveness in meeting organizational objectives. The keynote speakers shared their experience and opinions on the importance of Transformation (Change) Management and business processes in successful SAP implementation. A number of presenters (speakers) from SAP addressed the participants on topics such as; Enterprise Services Architecture, Optimal Performance with Human Capital Management, and other topics ranging from organizational culture change to decision making. All keynote speakers identified Transformation (Change) Management a critical enabler for successful implementation of their SAP initiative.

### **B. Industry Trends (Bruce Richardson – Chief Research Officer, AMR Research)**

Historically, technology changes have manifested themselves in major waves (e.g., mainframe, client/server). The current technology migration is moving organizations from the Internet and web-centric approach that emerged in the late 1990s to a dynamic and flexible service-oriented approach. This migration is supported by three emerging trends in 2005:

- Strong IT spending outlook
- Rise of “Business Process Platforms”
- Creation of Service-Oriented Architectures

SAP is now presenting NetWeaver as a business process platform rather than just an integration tool. This approach is consistent with the current trend among ERP-enabled organizations to focus more on process and less on technology. The challenge becomes whether to adopt the ERP software’s process as-is, or to attempt customizations. Service-Oriented Architectures (SOA) can at least partially address this issue with the concept of “composite applications”. Composite applications are new applications or solutions assembled from pieces of existing applications and data stores that are enabled as “services”. SAP claims to be offering up to 500 of these discrete services with their NetWeaver product, and is collaborating with other software vendors to continually increase the number of services available through the

NetWeaver platform. Some examples of enterprise services that can be used by Federal clients are:

- **Creating Purchase Order from Requirement.** This process includes enterprise services to create a standard purchase order and confirm the creation of a purchase order. It is used in a scenario where after a public RFP is issued a purchase order for the selected vendor is created.
- **Maintaining Vendor Data.** This process includes services that create and confirm the creation of supplier master data. This is useful when, for example, during a public bidding event, a supplier currently not registered in an SAP system is chosen as a source of supply.
- **Selecting Supplier.** This process includes services to check whether a given amount is within the range of budget available for a given internal order and to provide the status of a tender. This service allows monitoring of the tender from various angles. It provides the current status and additional information about the tender. This is important since the duration of a tender can range from a few hours to many months.

### C. SAP's product and services positioning within the Government Market

SAP stressed the very different approaches the two major vendors (SAP and Oracle) are undertaking. SAP has chosen to build upon the existing tightly integrated platform and extend software capability through the development of new functionality. Oracle has chosen to extend its application software functionality by acquiring best of breed software vendors such as PeopleSoft and Siebel. With NetWeaver, SAP took the lead with the production of a service oriented architecture (SOA) solution and Oracle has plans to follow with limited Fusion (Oracle's SOA solution) products as early as 2006. The reaction in the market to the fierce rivalry between the two companies and attempts to woo customers has been a wait and see attitude. The highest likelihood for migration onto or off of either product has been by clients who had a mixed solution of SAP with Oracle or PeopleSoft and vice versa. For the most part, those clients who have made significant investments in ERP systems have not migrated from one platform to the other.

### D. Importance of Transformation (Change) Management and Business Process Management on successful implementation of SAP initiative

Effective implementation of Change Management was highlighted as one of the success factors in implementing an ERP (SAP) system. All keynote speakers and diverse group of current SAP customers and program representatives such as: Internal Revenue Service (IRS), BWXT Y-12, U.S. Army Medical Research and Materiel Command, U.S. Navy and United States Postal Service were in complete agreement on the importance of the following change management parameters:

- High level of stakeholder buy-in.
- Complete understanding of the organization's key issues and difficulties before selecting SAP as their ERP solution.
- Understanding and complete clarity around key business processes and their impact of selecting and implementing SAP.
- Constant, complete and consistent communication with all stakeholders and key members of the organization.
- Level of organizational readiness for accepting change.

## E. SAP Key Enablers

SAP is reinvesting its profits to continually refine its solutions and enablers. Three key enablers discussed during the Business Forum for Government were:

- NetWeaver and Enterprise Services Architecture
- Standardization and Open Architectures
- Integration with Microsoft Outlook and Adobe Acrobat

NetWeaver is SAP's new platform for implementing enterprise services architecture. It is intended to create composite applications by integrating four layers: people, process, information, and applications. NetWeaver's success will be determined by whether it can be leveraged to use existing applications in the context of new, service-enabled composite applications. Early improvements to the NetWeaver platform based on use by its first customers include revamped integration functionality and improved analytics (business intelligence).

Standards-based technology platforms and open architectures have become a critical enabler of effective IT solutions, allowing disparate applications and data formats to be transformed into flexible, on-demand services. The SAP NetWeaver exchange infrastructure conforms to this trend with its use of standards-based (eXtensible Markup Language (XML) messaging and web services standards such as Web Service Definition Language (WSDL).

SAP has received criticism of its user interface for years, and has recently answered that criticism with two powerful integration solutions. The first is known as Project Mendocino, and is SAP's integration with Microsoft Outlook. Mendocino attempts to address the gap between desktop productivity tools and enterprise business applications -- and the need to connect information workers with enterprise processes in the context of their standard work environment, the Microsoft Office System. Through Mendocino, users will be able to perform corporate-driven tasks such as time management, budget monitoring, organization management, and leave management through their desktops using Microsoft Office applications. The second user interface-driven solution is the use of Adobe forms as data input templates. This solution maintains the look-and-feel of standard forms users are familiar with, yet funnels the data input directly to the authoritative database as part of the SAP system.

## F. Summary

Over the past 15 years the IT industry's attempt to demonstrate ERP as a viable solution for an enterprise-wide solution has been challenged by:

- lack of integration between various ERP modules,
- lack of industry-wide standards,
- poor user interface,
- poor integration of the ERPs with the legacy systems,
- and change management.

These challenges are being address with SAP by three key enablers:

- NetWeaver and Enterprise Services Architecture
- Standardization and Open Architectures
- Integration with Microsoft Outlook, and Adobe Acrobat

SAP's emphasis on standardization and development of composite applications and data stores with seamless integration with common applications such as Microsoft Outlook and Adobe Acrobat will position the SAP, at least in the short term, to be a strong contender within the ERP market. In contrast to Oracle, which has chosen to extend its application software functionality through acquisition of best of breed, SAP has chosen to build upon its existing tightly integrated platform and extend its enterprise-wide solution through development of new functionality, standardization and its approach to an open architecture.

In addition to SAP's emphasis on better use of technology and its integration approach, the forum highlighted the importance of the change management in success fully implementing of an ERP solution. This was particularly refreshing to hear from both the users of SAP and SAP leadership that without effective change management any ERP solution is doomed to fail.